Scott E. Reske

Indiana State Representative, District 37

How did we get here?

A brief history of Indiana's finances

Gov. Frank O'Bannon called a special legislative session this year to deal with escalating problems in the state budget. Indiana used to have a budget surplus. What has changed?

After the longest economic expansion on record in the 1990s, Indiana's coffers were full to overflowing. Legislators opted to cut taxes rather than keep such a large surplus, and returned over $1.5 billion in taxes since 1996. Those cuts aided homeowners, renters, the working poor, senior citizens, and others in our state.

p. Reske presents legislation in House chamber.

By January of 2000, though, the national economy was slowing. Within a few months it was clear that our country's finances were taking a turn for the worse. Forty-five states faced budget shortfalls, Indiana among them. Last July Gov. O'Bannon ordered $113 million in one-time cuts in an effort to address the growing budget deficit.

Forty-five states faced budget shortfalls. . .

The terrorist attacks last September only exacerbated the situation. Consumers spent less. Business slowed, cutting production and cutting jobs. That meant less money flowed into the state accounts from sales taxes, inventory taxes and individual and corporate income taxes.

In May of this year, Indiana revenue collections were 14.7 percent below expectation. Gov. O'Bannon made a total of $949 million in spending cuts in Fiscal Year 02, but our state was still in the red. The legislature met to re-evaluate. House Bill 1001 is the result.

Special session ends with success

New plan to cut property taxes, attract business to state

Summer, 2002

Dear Friends:

In the final days of the recent special session, members of the General Assembly passed a bipartisan program that will significantly impact the lives of most people in this state.

This plan, contained in House Bill 1001, provides answers to several serious questions facing Indiana. It protects property owners from the impact of the court-ordered reassessment. It provides funding to help support critical state programs and services. Also, it restructures our state's tax code to provide more economic incentives to help create more jobs for Hoosiers. (See the back of this card for more detail.)

The most significant part of House Bill 1001 is the relief it will provide for home, farm and business owners from the court-ordered property reassessment. For homeowners, most of this relief will come through shifting 60 percent of school operating costs to the state, implementing a standard deduction of $35,000, on all homes and increasing the homestead credit to 20 percent. These changes will help reduce residential property tax rates by double digits.

We also provide help to working families on lower incomes by increasing the earned income tax credit. Renters will receive an increase in the deduction they can take on their state income tax returns.

House Bill 1001 makes significant strides in changing our state's tax code to encourage economic development. We will eliminate Indiana's corporate gross income tax on January 1, 2003, and phase out the inventory tax over the next five years. Business leaders consider these changes cru cial to expand current businesses and entice companies to locate here and create jobs fo Hoosiers.

Property tax reform

- The average **Madison Co.** resident's property taxes will **decrease by 22.7 percent**
- The average **Indiana** resident's property taxes will **decrease by 16.6 percent**

Finally, we make several changes in the state's gaming industry that can help Indiana remain competitive with surrounding states. Riverboat operators will be given the option of allowing continuous access to casinos, a process commonly known as dockside gaming. Additionally, this bill creates a revenue sharing plan that will provide all Indiana counties with a portion of the proceeds generated by the riverboats.

What is important to understand is that cigarettes, gaming and gas are the only true new tax increases in Indiana—the other major tax changes are shifts. I believed the cigarette tax increase was unfair towards smokers and should have been spread across other taxes. However, even heavy smokers who are homeowners should still be better off financially under the new tax restructuring.

House Bill 1001 does not contain all the reforms I would have liked. We still must work on long-term solutions that can keep our state moving forward.

I encourage you to contact me with any comments and concerns regarding state government.

Sincerely,

Scott Reske

Economic development for Indiana

House Bill 1001 assists economic development across Indiana, and it couldn't come at a better time. In recent years Indiana has lost more manufacturing, retail and service jobs than anywhere else in the United States, and that certainly has had a negative economic impact in our state.

How do we create more jobs for Hoosiers? We must create an environment where businesses will want to come to Indiana, and where existing companies will want to expand their operations.

House Bill 1001 addresses these concerns in several ways:

• It eliminates the unpopular inventory tax over a five-year period. Indiana is one of the few states in the country that still enacts this penalty on businesses.

• It also removes both the corporate gross income tax and the corporate supplemental net income tax. It replaces these taxes with a tax on a company's adjusted gross income.

Restructuring the tax burden for employers is only one part of the puzzle. We also must help companies by creating an environment where they can take advantage of the cutting edge technology that enables our state to be competitive in a changing global economy. Several provisions in House Bill 1001 help achieve this goal:

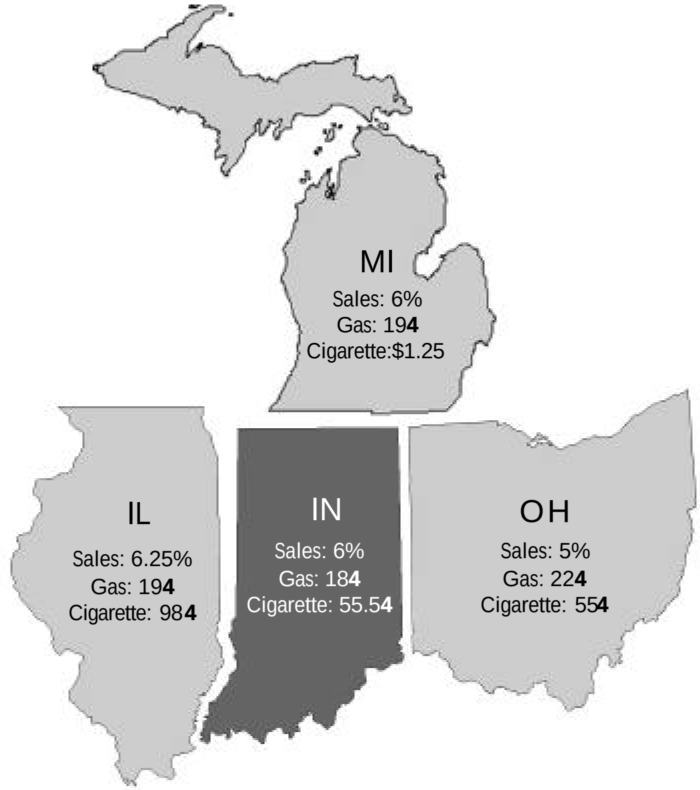
• It allocates tax credits to companies that provide venture capital to startup firms.

• It doubles the state's research and development tax credit to 10 percent.

• It provides $30 million for the 21st Century Research and Technology Fund for 2003 and 2004.

The impact of these changes will be felt in the years to come. Business owners will think twice about relocating to another state. Companies will find an economic profile dedicated to creating well-paying jobs. They will be even more inclined to take advantage of the Hoosier work ethic that has made us the envy of other states. With the provisions for economic development in House Bill 1001, Indiana is back on track.

How does Indiana rank with its neighbors?



Data from the Federation of Tax Administrators

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